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BELGIUM STANDARD LIMITED  
ANNUAL REPORT 1968







## BELGIUM STANDARD LIMITED

### Annual Report

for the year ended December 31, 1968

#### Head Office

401 Bay Street  
Toronto 1, Ontario

#### Board of Directors

George H. Beeston	Toronto, Ontario
Leslie M. Bull	Hamilton, Ontario
Harold H. Davis	Toronto, Ontario
Ralph C. C. Henson	Toronto, Ontario
George M. Hobart	Montreal, Quebec

#### Officers

Harold H. Davis	President and Treasurer
Ralph C. C. Henson	Vice President
Ernest DuVernet, Q.C.	Secretary
Edward R. Norman, C.A.	Comptroller

#### Auditors

Campbell, Sharp, Nash and Field  
Toronto, Ontario

#### Transfer Agent and Registrar

Canada Permanent Trust  
Toronto, Ontario

#### Bankers

The Toronto-Dominion Bank

#### Shares Listed

Canadian Stock Exchange

## **Operations**

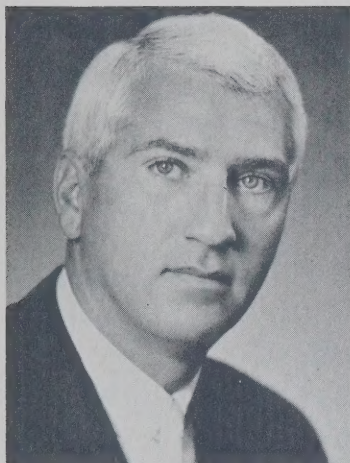
Waco General Industries Limited

Carter-Waterloo Division

Rolmaster Conveyors Division

Standard Engines Division





H. H. Davis, President.

*Shu-Pak  
refuse  
trucks  
packers*

## To the Shareholders:

The net profit of Belgium Standard Limited for the year ended December 31, 1968 was \$6,069 compared with \$64,565 for the previous year.

In a corporate re-organization in November, a new subsidiary company, Waco General Industries Limited, was incorporated to absorb the seven subsidiaries previously responsible for Belgium Standard's operations and to permit new efficiencies in administration, production and marketing. These operations are now consolidated in three Divisions of the new subsidiary—Rolmaster Conveyors, Standard Engines and Carter-Waterloo.

Sales in 1968 totalled \$3,057,600, an increase of \$9,072 over sales in 1967. The Carter-Waterloo Division accounted for 40 per cent of the total, Standard Engines Division for 35 per cent and Rolmaster Conveyors Division for 25 per cent.

The first two Divisions had profitable operations in 1968 but Rolmaster Conveyors suffered losses as the result of a 51-day strike experienced by a major customer for metal stampings and a slackening of demand for materials handling equipment. The level of manufacturing operations through most of the year did not permit full use of the plant expansion completed in March, 1968. Orders for Rolmaster Conveyors, however, picked up during the last quarter and in December set a record for a single month.

Product development programs, more centralized cost control systems and expanded sales activities helped to strengthen your company in 1968. To implement them the management appointed vice presidents for each of the three Divisions and recruited additional supervisory production and sales personnel for Rolmaster Conveyors.

The basic design of the Shu-Pak refuse truck fabricated by Carter-Waterloo was improved after the sale of two of the one-operator vehicles to a New Hampshire municipality enabled the Division to check its performance over a period of months. The stationary refuse packer, designed and developed by Carter-Waterloo, demonstrated several competitive advantages when a prototype model was installed in a Kitchener apartment building. In December, Mack Manufacturing Company Inc., Silver Springs, Md., was licensed to produce and sell this unit in the United States on a royalty basis. Vigorous marketing programs have since been implemented in Canada and the United States.

Another development at Carter-Waterloo during the year was the completion of the aluminum prototype body for a military personnel carrier. This was delivered early in 1969 to the Chrysler Corporation in Windsor, Ont. where it will be mounted on a chassis and subjected to exhaustive field trials.

During the year, the Standard Engines Division expanded its operation in the Niagara Peninsula market through the purchase of a small industrial automotive parts and service business in Thorold. It also became responsible for the production and sale of the automotive water pumps previously made by Waco Manufacturing Limited. This phase of your company's business achieved its first profit in 1968.

Preparations were made during the fall of the year to move the head office of Belgium Standard and its operating subsidiary, Waco General Industries, to the Simpson Tower, Toronto, and to provide space for a larger accounting department and Toronto District sales offices for the Rolmaster Conveyors and Carter-Waterloo divisions. The move to the new location was made in January, 1969.

The regular preferred share dividend of \$1.00 per share was declared and paid during the year.

A total of 175 employees contributed to the success of the company and its operating subsidiaries. Your management gratefully acknowledges their help and loyalty.

Submitted on behalf of the Board,

H. H. Davis, President.

BELGIUM STANDARD LIMITED  
AND ITS WHOLLY-OWNED SUBSIDIARY  
WACO GENERAL INDUSTRIES LIMITED

**Consolidated Balance Sheet**

December 31, 1968

	ASSETS	Comparative 1967
<b>Current</b>		
Cash	\$ 117,512	\$ 156,439
Accounts receivable	413,355	363,975
Inventories — at the lower of cost and market	616,310	453,508
Investments (preference shares subject to redemption or purchase at cost on or before June 1, 1968)	—	50,000
Notes receivable	24,644	18,800
Other current assets	24,844	16,505
	1,196,665	1,059,227
<b>Fixed (note 2)</b>		
Real estate, machinery, equipment and leasehold improvements at cost less accumulated depreciation of \$452,889 (1967 — \$427,160)	339,244	277,965
<b>Other</b>		
Cash surrender value of life insurance	—	29,405
<b>Excess of Cost of Investment in Subsidiary Company over net tangible assets at dates of aquisition</b>	383,020	375,499
	<u>\$1,918,929</u>	<u>\$1,742,096</u>

On behalf of the Board

H. H. Davis, Director

R. C. C. Henson, Director





## LIABILITIES

		Comparative 1967
<b>Current</b>		
Bank advances — secured	\$ 310,000	\$ 226,396
Accounts payable and accrued liabilities	288,888	252,399
Income taxes payable	19,708	276
Dividend payable	—	15,000
Current portion of long term debt	87,820	13,500
	<u>706,416</u>	<u>507,571</u>
<b>Long Term Debt</b> (note 3)	255,600	283,000
	<u>962,016</u>	<u>790,571</u>
<b>Shareholders' Equity</b> (note 4)		
Capital Stock		
Authorized		
25,000 preferred shares — 5% cumulative, redeemable par value \$20 each (of which 2,260 shares have been redeemed or purchased for cancellation)		
100,000 common shares of no par value		
Issued and fully paid		
13,990 preferred shares (1967 — 14,420 shares)	279,800	288,400
52,000 common shares (1967 — 50,000 shares)	45,000	25,000
	<u>324,800</u>	<u>313,400</u>
Surplus	632,113	638,125
	<u>956,913</u>	<u>951,525</u>
	<u>\$1,918,929</u>	<u>\$1,742,096</u>

The accompanying notes are an integral part of the consolidated financial statements.

## Auditors' Report

To the Shareholders of Belgium Standard Limited

We have examined the consolidated balance sheet of Belgium Standard Limited and its wholly-owned subsidiary, Waco General Industries Limited as at December 31, 1968 and the consolidated statements of income, surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
February 14, 1969.

**Campbell, Sharp, Nash & Field**  
Chartered Accountants.

BELGIUM STANDARD LIMITED  
AND ITS WHOLLY-OWNED SUBSIDIARY  
WACO GENERAL INDUSTRIES LIMITED

**Consolidated Statement of Income**  
for the year ended December 31, 1968

		Comparative 1967
<b>Sales</b>	<u>\$3,057,600</u>	<u>\$3,048,528</u>
<b>Costs and Expenses</b>		
Cost of sales, selling and administrative expenses	2,898,420	2,833,445
Depreciation and amortization	48,694	48,093
Directors' fees and remuneration as officers	<u>49,750</u>	<u>55,702</u>
	<u>2,996,864</u>	<u>2,937,240</u>
	<u>60,736</u>	<u>111,288</u>
<b>Other Expense (Income)</b>		
Interest on long-term debt	22,317	9,800
Investment income	(7,577)	(10,384)
Gain on realization of investments	<u>—</u>	<u>( 4,770)</u>
	<u>14,740</u>	<u>( 5,354)</u>
<b>Income before income taxes</b>	45,996	116,642
Provision for income taxes	<u>39,927</u>	<u>52,077</u>
<b>Net Income for the year</b>	<u>\$ 6,069</u>	<u>\$ 64,565</u>

The accompanying notes are an integral part of the consolidated financial statements.



BELGIUM STANDARD LIMITED  
AND ITS WHOLLY-OWNED SUBSIDIARY  
WACO GENERAL INDUSTRIES LIMITED



Notes to Consolidated Financial Statements

December 31, 1968

1. The consolidated financial statements include the accounts and reflect the operations for the year of Belgium Standard Limited and of Waco General Industries Limited and its predecessor companies. Waco General Industries Limited was formed through the statutory amalgamation in 1968 of all the subsidiaries of Belgium Standard Limited.

2. Fixed assets comprise the following:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Comparative 1967</u>
Real estate .....	\$203,491	\$ 44,988	\$158,503	\$ 87,561
Equipment .....	588,642	407,901	180,741	190,404
	<u>\$792,133</u>	<u>\$452,889</u>	<u>\$339,244</u>	<u>\$277,965</u>

Basic annual rental payments on leased premises will approximate \$50,000 in each of the next five years. An option for the purchase of real estate in the amount of \$200,000 exists with respect to certain of the leased premises.

3. Long term debt consists of the following:

	<u>Current Portion</u>	<u>Long-Term Portion</u>
7% chattel mortgage, payable \$52,500 on January 15, 1969 and \$17,500 on January 15 in each of the years 1970 to 1976	\$52,500	\$122,500
6% mortgage due December 31, 1973 payable \$13,500 in each of the years 1969 to 1972 and \$54,000 in 1973	13,500	94,500
7 <sup>3</sup> / <sub>4</sub> % mortgage due December 1, 1992 payable in blended monthly payments of \$225 for principal and interest	420	29,300
7% note due June 5, 1969	18,300	—
7% note due November 10, 1972 payable \$3,100 in each of the years 1969 to 1972	3,100	9,300
	<u>\$87,820</u>	<u>\$255,600</u>

4. 8,000 common shares are reserved for issue under an employees' stock incentive option plan. As at December 31, 1968 options for 3,000 of such shares have been specifically granted to directors and officers at \$10. per share exercisable as follows:

In the years ended April 30, 1969	1,250
1970	750
1971	500
1972	500
	<u>3,000</u>

During 1968 options for 2,000 shares were exercised at \$10 per share.

During the year 430 preferred shares with a par value of \$8,600 were purchased for cancellation. Surplus includes an aggregate amount of \$45,200 designated as capital surplus as required under Section 61 of the Canada Corporations Act equal to the par value of the preferred shares redeemed or purchased for cancellation to date.



BELGIUM STANDARD LIMITED  
AND ITS WHOLLY-OWNED SUBSIDIARY  
WACO GENERAL INDUSTRIES LIMITED

**Consolidated Statement of Source and Application of Funds**

for the year ended December 31, 1968

		Comparative 1967
<b>Funds derived from:</b>		
Operations		
Net income for the year	\$ 6,069	\$ 64,565
Depreciation and amortization	48,694	48,093
	<u>54,763</u>	<u>112,658</u>
Increase in long-term debt — net	—	161,500
Issue of common shares	20,000	—
Realization of notes receivable	—	18,800
Realization of cash surrender value of life insurance	29,405	—
Investment in preferred shares realizable in 1968 (included in current assets)	—	50,000
	<u>104,168</u>	<u>342,958</u>
<b>Were applied to:</b>		
Additions to fixed assets — net		
Through acquisition of subsidiaries	4,267	62,696
Other purchases	105,706	65,200
	<u>109,973</u>	<u>127,896</u>
Decrease in long-term debt	27,400	—
Increase in acquisition goodwill	7,521	176,752
Increase in cash surrender value of life insurance	—	4,959
Purchase of preferred shares for cancellation	6,583	80
Dividends	14,098	41,923
	<u>165,575</u>	<u>351,610</u>
<b>Decrease in working capital</b>	61,407	8,652
<b>Working Capital, beginning of year</b>	551,656	560,308
<b>Working Capital, end of year</b>	<u>\$490,249</u>	<u>\$551,656</u>

The accompanying notes are an integral part of the consolidated financial statements.

**Consolidated Statement of Surplus**

for the year ended December 31, 1968

		Comparative 1967
<b>Surplus, beginning of year</b>	638,125	\$615,463
<b>Net Income for the year</b>	6,069	64,565
<b>Discount on Preferred Shares</b> purchased for cancellation	2,017	20
	<u>646,211</u>	<u>680,048</u>
<b>Dividends — preferred shares</b>	\$14,098	14,423
— common shares	—	27,500
	<u>14,098</u>	<u>41,923</u>
<b>Surplus, end of year</b>	<u>\$632,113</u>	<u>\$638,125</u>

The accompanying notes are an integral part of the consolidated financial statements.



## Financial Review

	1968	1967	1966	1965	11 months 1964
Earnings after income taxes	\$6,069	\$ 64,565	\$119,237	\$ 74,245	\$ 53,805
Earnings after dividends on preferred shares	(8,029)	50,142	104,634	59,560	39,020
Earnings per common share	(.15)	1.00	2.09	1.19	0.78
Dividends per common share	Nil	0.55	0.50	Nil	Nil
Net worth (common shareholders equity)	677,113	663,125	640,463	559,131	499,671
Book value per common share	13.02	13.26	12.80	11.18	9.99
Return on shareholder's equity	(1.2%)	7.8%	18.7%	11.9%	8.5%
Working capital	\$490,249	\$551,656	\$560,308	\$568,237	\$210,908
Working capital ratio	1.7 to 1	2.1 to 1	3.7 to 1	6.2 to 1	1.7 to 1

*Common shares outstanding — 52,000 in 1968 and 50,000 in prior years.*

